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4 May 1959

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CENTRAL

INTELLIGENCE

BULLETIN



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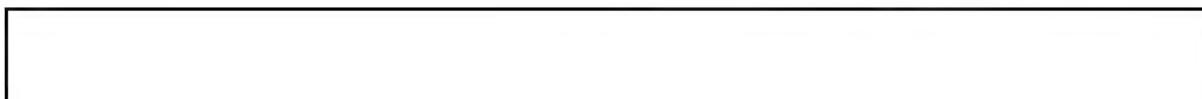
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CENTRAL INTELLIGENCE BULLETIN

4 May 1959

DAILY BRIEF

I. THE COMMUNIST BLOC

DJK

Khrushchev-Germany: In Field Marshal Montgomery's first interview with Khrushchev on 29 April, the Soviet premier insisted on the need to settle immediately the "ripe" questions of a German peace treaty and the Berlin problem. He categorically stated that if the West would not agree to a peace treaty with the two German states, the Soviet Union would conclude a separate treaty with East Germany. He added, "If this would lead to war, then the Soviet Union will accept its destiny." Montgomery replied that in such an event, "the West would not flinch."

In their second meeting, on 30 April, Khrushchev said he believed Montgomery's arguments against precipitate action on a separate peace treaty to be correct, and he implied that the USSR would not rush matters on this issue. Khrushchev's attitude is in line with the USSR's efforts to demonstrate its desire to exhaust every possibility for a negotiated settlement of the Berlin and German peace treaty issues.

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Ghana-Guinea: The joint declaration on 1 May by Prime Minister Nkrumah of Ghana and Guinea's President Sekou Touré proposing a "union" of independent African states appears to be essentially another propaganda move designed to enhance the prestige of these two West African leaders. The scheme may receive nominal endorsement from some other African leaders, but any new association of African states is unlikely to involve any surrender of sovereignty. The more limited "union" of Ghana and Guinea, projected with much fanfare last November by Nkrumah and Touré, has so far failed to acquire any substance.

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III. THE WEST

OK
Panama: Prompt and effective action by the OAS to remove the threat to the Panamanian Government posed by some 85 invaders from Cuba has probably reduced the danger of further expeditions against other countries of the Caribbean area. Their surrender, however, has only temporarily strengthened the government of President de la Guardia, which will continue to be weakened by domestic political rivalries.

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OK
Britain - West Indies Federation: The British are continuing to press for revision of the 1941 US-UK agreement concerning US bases in the Caribbean. London's position is that an offer to negotiate now would undermine the extreme position of Trinidad's Chief Minister Eric Williams and prevent anti-American pressure from reaching serious proportions.

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OK
Bolivia: The National Bank of Washington has refused to honor Bolivian Central Bank checks until further notice because Bolivia continues to overdraw its account. As a result, financial panic could occur in Bolivia within a day or two, and the increased tension could lead to new outbreaks of anti-American violence.

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DAILY BRIEF

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I. THE COMMUNIST BLOC

Field Marshal Montgomery's Interview with Khrushchev

Field Marshal Montgomery stated at a private dinner in Moscow on 30 April that, in his conversation with Khrushchev the previous day, the Soviet premier had strongly reasserted the need to settle immediately the "ripe" questions of a peace treaty with Germany and the Berlin problem. Khrushchev particularly emphasized that if the West would not agree to a peace treaty, the Soviet Union would conclude a separate treaty with East Germany. He added, "If this would lead to war, then the Soviet Union will accept its destiny."

Montgomery stressed that if war resulted from this dangerous situation created by the USSR, "the West would not flinch." He urged Khrushchev to postpone precipitate action on a separate peace treaty and concentrate on a negotiated settlement of Berlin's status, but the Soviet premier was adamant. He added that, at any rate, he would have to "consult his government" on Montgomery's suggestions.

During his second interview with Montgomery, on 30 April, Khrushchev said he had come to the conclusion that Montgomery was correct, and he implied that he would not rush the conclusion of a separate peace treaty with East Germany. He again firmly maintained the necessity of solving the Berlin question.

The Soviet leader may hope that by attempting to convince Montgomery that his visit has caused the USSR to moderate its course, he will strengthen the conviction held in some Western circles, notably in Britain, that there are good chances for successful negotiations with the USSR on the heads-of-government level.

To Montgomery's question regarding possible Soviet fears of Communist China with its increasing industrialization and growing population, Khrushchev stressed the common aims and interests of the USSR and China and remarked that the two countries were "back to back."

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III. THE WEST

The Situation in Panama

The surrender on 1 May, under the auspices of the special committee of the Organization of American States, of the 85 invaders from Cuba who had landed in Panama on the night of 24-25 April has removed a serious threat to the government of President Ernesto de la Guardia. The OAS-sponsored coastal patrol, composed of aircraft and US and Colombian surface vessels, continues on the alert for another boatload of revolutionaries rumored to have left Cuba on 28 April. Guatemalan President Ydigoras, fearing that this ship may have been diverted there, has alerted his armed forces for possible landings.

The Panamanian Government continues to be basically weak, however, as evidenced by the virtual panic which the landing of only 85 to 90 men caused among members of the ruling oligarchy, who evidently feared that the invasion might spark a drastic social upheaval. The lower classes in Panama, on the other hand, were apathetic. Knowing that Roberto Arias, a member of a prominent and wealthy Panamanian family, was a leader of the attempt, they evidently felt this was simply another instance of the continual maneuvering for power and spoils among factions of the oligarchy. These factional maneuverings are likely to continue after a brief respite. The unpopular National Guard may have lost prestige by its obvious reluctance, if not its inability, to take action against the invaders.

The prompt and effective OAS action has probably reduced the danger of further expeditions against other countries of the Caribbean area, such as Nicaragua, the Dominican Republic, and Haiti.

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British Urge Revision of West Indies Bases Agreement with US

The British are urging that the United States agree to their 15 April proposal for a revision of the 1941 US-UK agreement concerning US facilities in the Caribbean, notably the naval station at Chaguaramas, Trinidad, and guided-missile tracking stations at Antigua and St. Lucia. The British claim they are "sitting on a powder keg watching the fuse burn down," and that local pressures might mount dangerously if nothing is done.

Chief Minister Eric Williams of Trinidad, who has been making an issue of the question of base rights, has not yet obtained a reply from the West Indies Federation Government to his request for a revision conference in which he wants to participate. The British argue that by taking the initiative and offering to revise the agreement with the Federation Government, the extreme demands expected from Williams can be undercut. They state that since Williams may become the next federal prime minister, the US can get better terms by revising now than by waiting until the federation becomes independent, probably within three to five years.

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[The British appear to be overstating the situation, however, in an effort to gain credit with the federation. Although there is some feeling in Trinidad against the presence of US bases, the US consul general in Jamaica--the most important unit in the federation--sees no noticeable pressure for the release of base areas and does not anticipate any in the immediate future.]

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[As examples of the type of minor revision they have in mind, the British have suggested modifying customs provisions, giving up unneeded areas, and paying for use of local airfields. They may also suggest an annual rent.]

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Financial Panic Threatens in Bolivia

The National Bank of Washington has refused to honor checks drawn on the Bolivian Central Bank until further notice. As a result, financial panic could occur within a day or two, according to the representative of the International Monetary Fund in Bolivia.

The National Bank is said to have honored a number of Bolivian overdrafts in April, but La Paz apparently has been unable to make deposits covering them. Bolivia has had an increasing deficit in dollars for several months and has depended on such expedients as the time lag between the writing and cashing of a check to prevent its checks from "bouncing."

The president of the Bolivian Central Bank recommended suspension of dollar sales in Bolivia on 24 April, but both President Siles and his minister of government opposed taking such serious action while still faced with political repercussions from the rightist revolutionary attempt of 19 April and from the continuing effort to cut the government subsidy in the tin-mine commissaries.

Financial panic is likely to generate new political tensions which may be reflected in outbursts of violence against the United States for its virtually complete suspension of economic aid during the past two months. It will also cause a run on the banks and a sharp renewal of the inflationary spiral which Bolivia has kept under control since the US-backed stabilization program began in December 1956.

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